

UNCLASSIFIED INTERNAL
U.S. ONLY CONFIDENTIAL SECRET

ROUTING AND RECORD SHEET

SUBJECT (Optional)

FROM:
CCS/FB
G H 44
Hqs.

EXTENSION

NO

5004

DATE

13
15 November 1967

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

RECEIVED FORWARDER

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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DECLASSIFIED AND RELEASED BY
CENTRAL INTELLIGENCE AGENCY
PURSUANT TO E.O. 13526 EXEMPTION 3 b 2 b
TAX-FRAUD MEASUREMENT ACT
DATE 2007

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13 November 1967

MEMORANDUM FOR THE RECORD

SUBJECT: Dissolution of Project Aerodynamic and Transfer to Europe per Katzenbach Committee Policy Guidelines

1. On 8 November 1967 a meeting was held in OGC to discuss the problems inherent in the dissolution of Aerodynamic in the U.S. and its transfer to Munich, Germany, its probable resting place in Europe. This is incited by the Katzenbach Committee Policy guidelines which prohibits the printing and publication of any literature sponsored by the Agency. The problems involved are the following:

- a. Prologue is a 501(c)(3) organization; as such it will have to be dissolved.
- b. Proposal for its future has been submitted to the 303 committee which has not yet considered it, but it is expected to be on the 303 committee agenda this week.
- c. The transfer to Europe of the Headquarters of Prologue will involve establishing a corporation under German law, leaving behind seven individuals in the U.S. who are not involved in publishing activities; these seven individuals are basically operational, working under the cover of the Prologue corporation.
- d. Financially we are talking about \$~~□~~ - \$~~□~~ a year which must move clandestinely from the U.S. to Switzerland to Germany and then \$~~□~~ of this must come back to the U.S. openly from the parent company which would be for expenses here.
- e. In addition, there is a sum of between \$~~□~~ and \$~~□~~ which Uncle Louie, the principal, passes on in the U.S. for contact operations. In our meeting we discussed the pros and cons of how this should be handled. The concept of black-bag seemed to merit immediate approval. However, should

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downgrading and
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it be decided that these expenses for which the \$~~2~~ - \$~~2~~ is paid could logically constitute normal business expenses it might be better to include them on the overt books.

2. As a result of our discussion the CCC representatives asked SB Division to provide certain information which they do not have. Essentially, this concerned the problems of benefits to the seven individuals remaining in the U.S. and the legal considerations pertaining to the termination of the 501(c)(3) organization and the subsequent establishment of a profit-making company. Initially it was decided to refer to a [] the New York attorney who had set up Prologue. Parenthetically he had also been involved in Congress for Cultural Freedom and, therefore, was quite aware of the Agency problems. After some discussion it was decided that on balance []'s experience with the Agency was a plus and that we should, therefore, go to him for advice and guidance on the closure of Prologue. He should be specifically requested to advise us on what we would face locally in the way of problems vis a vis, closing out Prologue and retaining, if possible, the benefits for the seven individuals remaining who, incidentally, are Project employees and not in any way directly connected with the Agency.

3. For OGC and CCS information, it is necessary for SB Division to provide the following information:

a. SB will confirm that:

- ✓ 1) they do not file a 990-A;
- ? 2) they do file in New York;
- ✓ 3) there is an exemption letter and provide a copy to OGC;
- ✓ 4) specific figures on overt expenses;
- ✓ 5) covert expenses (\$~~2~~ - \$~~2~~ and how they are to be handled;
- ? 6) cover story for new firm in New York if tax men come in;
- ? 7) copy of the retirement plans and other details concerning social security;
- ? 8) suggestions per selection of ✓

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the legitimate CPA to prepare the
closing audit;

9) plan for disposal of inventory assets and advice as to balance remaining after termination. In this connection SB Division was informed that the closing balance before termination must be zero equals zero and that a normal sale from the present 501(c)(3) organization must be made a matter of record. The lease of the present office is in the name of the employees. Uncle Louie and the company will probably prefer to remain on their own premises. So that in effect, the safe, reference material and other physical assets will have to be sold in a public transaction to the new company and these receipts included as assets for the phase out of the 501 (c)(3) organization. To get on with the operation as quickly as possible, it was decided that as soon as the 303 committee approves the SB proposal that we should set up the Europe organization soonest. The dissolution of the present 501(c)(3) company could not be concluded prior to 31 December. If possible, we hope for a statement that Aerodynamic is "in dissolution" by 31 December 1967 thereby at least following the spirit of the Katzenbach Committee Policy guidelines. Should there be any assets remaining, and we hope there are not, they would have to be returned to the Agency by another 501(c)(3) organization. L

J, off the top of his head, could only suggest RFE. It was agreed that if at all possible Prologue's activities as a 501(c)(3) organization would cease by 31 December 1967.

4. Legally, it was decided that Prologue would have to register under the new New York law and that we would have to go to Mr. Greenfield and admit this is a CIA organization.

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Further details on this point will come out after SB Division provides OGC with the fundamental details mentioned above and the decision made by the SOS committee.

SIGNED

E 505 1849
Funding Branch
Central Cover Staff

Distribution:

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cc: OGC ()
SB/CA ()

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